

***WATER DISTRICT NO. 1  
OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA***

***Annual Financial Report***

***June 30, 2002 and 2001***



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STAGNI & COMPANY, LLC

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**  
*Annual Financial Report  
June 30, 2002 and 2001*

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***REQUIRED SUPPLEMENTAL  
INFORMATION (PART I)***

***WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2002***

Our discussion and analysis of Water District No. 1 of the Parish of Lafourche, State of Louisiana's (Water District No. 1) financial performance provides an overview of Water District No. 1's financial activities for the fiscal year ended June 30, 2002. Please read it in conjunction with the basic financial statements and the accompanying notes to the financial statements.

***FINANCIAL HIGHLIGHTS***

Our financial statements provide these insights into the results of this year's operations:

- As a result of this year's operations, assets exceeded liabilities by \$37.4 million (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$40.4 million. The net assets decreased by 3.0 million or 7.4%.
- Total net assets are comprised of the following:
  - (1) Capital assets, net of related debt, of \$28,110,636 included property and equipment, net of accumulated depreciation, net of the long-term debt.
  - (2) Net assets of \$2,606,098 are restricted by constraints imposed from outside the office such as grantors, laws, debt covenants or regulations.
  - (3) Unrestricted net assets of \$6,716,039 represent the portion available to maintain continuing obligations to citizens and creditors.
- Total spending for all waterworks activities was \$7.88 million for the year, which was \$380,000 less than the charges for services, and the capital grants and contributions received for these activities - \$8.26 million. During the year revenues increased to 9.6 million or 6.13%, while expenses increased to 7.9 million or 9.57%.
- Capital contributions increased to 3.07 million or 3.71% over last year.

***OVERVIEW OF THE FINANCIAL STATEMENTS***

This annual financial report consists of four parts: Management's Discussion and Analysis, the Financial Section, Required Supplementary Information, and Other Supplemental Schedules. The Financial Section also includes notes that explain in more detail some of the information in the financial statements.

The Comparative Statement of Net Assets and the Comparative Statement of Revenues, Expenses and Net Assets (on pages 12 and 13) provide both long-term and short-term information about Water District No. 1's overall financial status. The Comparative Statement of Net Assets includes all assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2002***

creditors (liabilities). This financial statement reports net assets and how they have changed. Net assets – the difference between assets and liabilities – is one way to measure financial health, or position. Over time, increases or decreases in net assets are an indicator of whether its financial health is improving or deteriorating, respectively. The Comparative Statement of Net Assets also provides the basis for computing rate of return, evaluating the capital structure and assessing liquidity and financial flexibility. You will need to consider other nonfinancial factors, however, to assess the overall health.

All of the current year's revenue and expenses are accounted for in the Comparative Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of operations over the past year and can be used to determine whether operations have successfully recovered all its costs through user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Comparative Statement of Cash Flows. The primary purpose of this statement is to provide information about cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting for operations, investing and financing activities and provides answers to such questions as where did the cash come from, what was the cash used for, and what was the change in cash balance during the reporting period.

Our auditor has provided assurance in the independent auditor's report, located immediately following this MD&A, that the Basic Financial Statements are fairly stated. The auditor regarding the Required Supplemental Information and the Other Supplemental Schedules is providing varying degrees of assurance. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the Annual Financial Report.

***FINANCIAL ANALYSIS AS A WHOLE***

As stated previously, net assets decreased by \$3.0 million as a result of this year's operations and an adjustment to beginning depreciation. Water District No. 1's overall financial position declined during the year 2002. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—absorbed most of the decrease this year because of the change in depreciable assets useful lives causing an increase in beginning accumulated depreciation and there were numerous construction projects. The balance in net assets represents the accumulated results of all past years' operations. It means that if we had to pay off all of our bills today, including all of our non-capital liabilities, we would have \$37.4 million left.

***R DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2002***

**NET ASSETS**

To begin our analysis, a summary of the Comparative Statement of Net Assets is presented in Table A-1.

	FY 2001	FY 2002	Dollar Change	Total Percent Change
Current and Other Assets	\$ 13.0	\$ 20.3	\$ 7.3	56.2%
Capital Assets	38.7	38.5	(0.2)	-0.5%
<b>Total Assets</b>	<b>51.7</b>	<b>58.8</b>	<b>7.1</b>	<b>13.7%</b>
Long-term Debt Outstanding	9.3	18.2	8.8	94.7%
Other Liabilities	1.9	3.2	1.3	64.5%
<b>Total Liabilities</b>	<b>11.3</b>	<b>21.4</b>	<b>10.1</b>	<b>89.5%</b>
Invested in Capital Assets, Net of Related Debt	20.1	28.1	8.1	40.2%
- Restricted	2.1	2.6	0.5	23.3%
- Unrestricted	18.3	6.7	(11.5)	-63.2%
<b>Total Net Assets</b>	<b>\$ 40.4</b>	<b>\$ 37.4</b>	<b>\$ (3.0)</b>	<b>-7.4%</b>

As we noted earlier and as can be seen from the table above, net assets decreased \$3.0 million to \$37.4 million down from \$40.4 million in the prior year. Looking up the table you will see that the two largest factors in this change in net asset position was in Net Assets Invested in Capital Assets, Net of Related Debt, which increased \$8.1 million in the year ending June 30, 2002 and Unrestricted Net Assets, which decreased \$11.5 million in the year ending June 30, 2002. The decrease in unrestricted net assets reflects a reclassification in unrestricted asset to capital assets net of related debt. This decrease is partially due to the change in useful lives of the assets that created a \$4.9 million adjustment in beginning accumulated depreciation, which decreased the beginning unrestricted net assets.



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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*For the year ended June 30, 2002*

Further analysis of net assets indicates that the Restricted Net Assets (those established by debt covenants, enabling legislation, or other legal requirements) experienced an increase of \$.5 million in 2002 due to the issuance of the new water revenue bonds in January 2002.

**CHANGES IN NET ASSETS**

A summary of the Comparative Statement of Revenues, Expenses and Changes in Net Assets is presented in Table A-2.

Table A-2					
Condensed Statements of Revenues, Expenses and Changes in Net Assets					
(In millions of dollars)					
				Dollar	Total
				Change	Percent
		FY 2001	FY 2002		Change
Operating Revenues	\$	7.5	\$ 8.1	\$ 0.6	8.0%
Nonoperating Revenues		1.6	1.5	(0.0)	-2.9%
<b>Total Revenues</b>		<b>9.1</b>	<b>9.7</b>	<b>0.6</b>	<b>6.1%</b>
Depreciation Expense		1.7	2.2	0.5	28.3%
Other Operating Expenses		4.7	4.9	0.2	3.7%
Nonoperating Expenses		0.8	0.8	0.0	3.4%
<b>Total Expenses</b>		<b>7.2</b>	<b>7.9</b>	<b>0.7</b>	<b>9.6%</b>
<b>Income before Capital Contributions</b>		<b>1.9</b>	<b>1.8</b>	<b>(0.1)</b>	<b>-6.6%</b>
<b>Capital Contributions</b>		<b>0.6</b>	<b>0.1</b>	<b>(0.5)</b>	<b>-82.4%</b>
<b>Change in Net Assets</b>		<b>2.6</b>	<b>1.9</b>	<b>(0.6)</b>	<b>-25.1%</b>
<b>Beginning Net Assets, restated</b>		<b>37.9</b>	<b>35.5</b>	<b>(2.3)</b>	<b>-6.2%</b>
<b>Ending Net Assets</b>		<b>40.4</b>	<b>37.4</b>	<b>(3.0)</b>	<b>-7.4%</b>

While the Comparative Statement of Net Assets shows the change in financial position of net assets, the Comparative Statement of Revenues, Expenses, and Net Assets shows the changes in net assets. As can be seen the Table A-2 above, income before contributions was the primary source of the \$1.9 million increase in net assets in 2002.



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MANAGEMENT'S DISCUSSION AND ANALYSIS  
*For the year ended June 30, 2002***

A closer examination of the changes in net assets reveals that revenues increase by \$.6 million to \$9.7 million in 2002 from \$9.1 million in 2001 due primarily to an increase in rates for export sales beginning August 16, 2001. However, not all of the news was favorable as costs of operations were also on the rise, increasing by \$.7 million to \$7.9 million in 2002 up from \$7.2 million in 2001. This increase was primarily from the increase in depreciation expense due to a change in the useful lives of the depreciable assets. After careful review of the depreciable assets useful lives it was found most were being depreciated over 1 1/2 times their actual lives. This change in useful lives occurred because the Water District No. 1 is using the same useful lives of assets as when it was created approximately 40 years ago.

**BUDGETARY HIGHLIGHTS**

As required by its bond covenants, Water District No. 1 adopts an Operating and Capital Works Budget no later than June 30<sup>th</sup> of each year. The budget remains in effect the entire year unless it is revised. A 2002 budget comparison and analysis is presented in the interim financial statements; however, they are not reported or shown in the financial statement section of this report.

Budget variance explanations:

- Operating revenues increased due to demand in export water sales.
- Non-operating revenues increased due to increase in property values assessed for ad valorem taxes.
- Administration and General expenses increased because of bond issue costs relating to the 2002 bond issue and insurance expense increased due to the purchase of a pollution control policy purchased in 2002 for approximately \$20,000 that had never been purchased before.
- Maintenance of General Plant increased because of maintenance at both the North and South Plant due to age and upgrades needed.
- Non-operating expenses increased due to interest related to new bond issue.
- Beginning Net Assets increased due to changes in depreciable assets useful lives.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,**  
**STATE OF LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*For the year ended June 30, 2002*

Table A-3  
Budget vs. Actual  
(In millions of dollars)

	Budget	FY 2002	Dollar Variance	Total Percent Variance
Operating Revenues	\$ 7.7	\$ 8.1	\$ 0.4	5.8%
Non-operating Revenues	1.2	1.5	0.3	28.6%
<b>Total Revenues</b>	<b>8.9</b>	<b>9.7</b>	<b>0.8</b>	<b>8.9%</b>
Water Purchased for Resale	0.02	0.03	0.01	42.6%
Pumping Operation	0.8	0.6	(0.2)	-27.3%
Pumping Maintenance	0.02	0.01	(0.0)	-35.6%
Purification Operation	1.0	1.0	(0.0)	-2.7%
Purification Maintenance	0.6	0.5	(0.1)	-8.7%
Distribution Operation	0.7	0.7	(0.0)	-5.2%
Distribution Maintenance	0.8	0.6	(0.2)	-21.2%
Customer Accounting & Collecting	0.6	0.6	0.0	2.7%
Administrative & General	0.5	0.7	0.2	31.1%
Maintenance of General Plant	0.1	0.2	0.1	75.6%
State Projects	0.03	0.0	(0.0)	-92.6%
Depreciation	1.6	2.2	0.6	38.9%
Non-operating Expenses	0.6	0.8	0.2	32.4%
<b>Total Expenses</b>	<b>7.3</b>	<b>7.9</b>	<b>0.5</b>	<b>7.5%</b>
<b>Income before Capital Contributions</b>	<b>1.6</b>	<b>1.8</b>	<b>0.2</b>	<b>15.3%</b>
<b>Capital Contributions</b>	<b>0.1</b>	<b>0.1</b>	<b>-</b>	<b>0.0%</b>
<b>Change in Net Assets</b>	<b>1.7</b>	<b>1.9</b>	<b>0.2</b>	<b>14.3%</b>
<b>Beginning Net Assets</b>	<b>36.3</b>	<b>35.5</b>	<b>(0.8)</b>	<b>-2.2%</b>
<b>Ending Net Assets</b>	<b>38.0</b>	<b>37.4</b>	<b>(0.6)</b>	<b>-1.4%</b>

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2002**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*CAPITAL ASSETS*

The cost of property, plant and equipment, net of accumulated depreciation as of June 30, 2002 and 2001 was \$38.5 and \$38.7 million, respectively.

This year there was \$3.1 million of additions and \$383,000 of disposals, reflecting a net increase of \$2.7 in capital assets. Water District No. 1 adopted a capitalization policy whereby assets over \$500 would be capitalized. Water District No. 1 also changed depreciable assets useful lives this year resulting in a prior period adjustment to beginning accumulated depreciation in the amount of \$4.9 million. This adjustment as well as the increase in current depreciation caused the slight decline of \$.2 million in net capital assets. This year's major capital additions included:

• North Plant High Rate Expansion project	\$620,198
• East Chackbay Tank Project	\$552,156
• Choupic Tank Project	\$516,651
• 8" Waterline E 18 <sup>th</sup> & 19 <sup>th</sup> Streets	\$229,594
• Waterline Replacement Fanguy Main, et al	\$179,592
• New Larose Booster Station	\$271,686

Additional detailed information about capital assets is presented in Note 6 to the financial statements.

*LONG-TERM DEBT*

At year-end, Water District No. 1 had \$19.2 million in water revenue bonds outstanding -- an increase of 100% over last year. Water District No. 1 issued \$10,000,000 in water revenue bonds for the purpose of paying a portion of the cost of constructing and acquiring additions, extensions and improvements to the waterworks system. Water District No. 1 also paid out in advance one of its issues totaling \$409,600 in order to reduce the total amount of debt outstanding in case a future bond issue is needed. The Water District No. 1 does not plan on issuing any more new debt to finance major capital improvements, but will be reviewing bond market conditions for financing future year capital expenditures. More detailed information about long-term liabilities and the early extinguishments of debt is presented in Note 7 and Note 11 to the financial statements.

***WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2002***

*Bond Ratings*

Outstanding bonds carry the following ratings:

- 1996 bonds are AAA rating (insured) from Moody's
- 2002 bonds are A3 rated (not insured) from Moody's

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Board of Commissioners and management considered many factors when preparing the 2003 Budget including fiscal year user fees and charges. Historically, the office staff and costs remain stable and should continue to do so. If these estimates remain consistent, the net asset balance is expected to increase modestly by the close of 2003.

**CONTACTING MANAGEMENT**

This Annual Financial Report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of Water District No. 1's finances and to demonstrate the it's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Lafourche Parish Water District No. 1's Office Manager, Mona Zeringue, P.O. Box 399, Lockport, LA 70374, phone number 1-800-344-1580.

## ***FINANCIAL SECTION***



# STAGNI & COMPANY, LLC

## *INDEPENDENT AUDITOR'S REPORT*

To the Board of Commissioners  
Water District No. 1 of the Parish of Lafourche  
State of Louisiana

We have audited the accompanying basic financial statements of Water District No. 1 of the Parish of Lafourche, State of Louisiana, a component unit of the Lafourche Parish Council, as of and for the years ended June 30, 2001 and 2002, as listed in the table of contents. These basic financial statements are the responsibility of Water District No. 1 of the Parish of Lafourche, State of Louisiana's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Water District No. 1 of the Parish of Lafourche, State of Louisiana, as of June 30, 2001 and 2002, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the Water District adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* and Statement 37, *Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, as of July 1, 2001. This results in a change in the format and content of the basic financial statements.



To the Board of Commissioners  
Water District No. 1 of the Parish of Lafourche  
State of Louisiana  
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In accordance with *Government Auditing Standards*, we have also issued a report dated August 7, 2002 on our consideration of Water District No. 1 of the Parish of Lafourche, State of Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and Other Required Supplemental information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Other Supplemental Schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Water District No. 1 of the Parish of Lafourche, State of Louisiana. Such information, except for the schedule of Metered Water Customers and the Schedule of Insurance in Force marked "unaudited" on which we express no opinion has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Stagni & Company*

Thibodaux, Louisiana  
August 7, 2002



**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Comparative Statement of Net Assets  
Water Enterprise Fund  
June 30, 2002 and 2001

<b>ASSETS:</b>		
<b>CURRENT ASSETS:</b>	<b>2002</b>	<b>2001 (restated)</b>
Cash and cash equivalents	\$ 1,554,449	\$ 3,820,366
Investments	5,471,723	4,500,000
Receivables:		
Water sales	599,060	558,099
Unbilled water sales	523,819	487,432
Sewerage	2,320	23,532
Other	26,852	171,304
Inventory	364,988	322,682
Prepaid insurance	122,534	102,345
Total current assets	<u>8,665,745</u>	<u>9,985,760</u>
<b>RESTRICTED ASSETS (cash and investments):</b>		
Water revenue bond current debt service cash with fiscal agent	459,255	260,418
Water revenue bond current debt service investment account	1,283,807	672,857
Water revenue bond future debt service reserve account	1,021,783	1,181,759
Construction	7,843,448	-
Water revenue bond contingency account	200,000	100,000
Customer meter deposits cash	92,474	217,417
Customer meter deposits investments	700,000	555,000
Total restricted assets	<u>11,600,767</u>	<u>2,987,451</u>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
at cost (net of accumulated depreciation		
of \$31,826,023 for 2001 and \$25,072,695 for 2001)	<u>38,530,524</u>	<u>38,719,551</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 58,797,036</u></u>	<u><u>\$ 51,692,762</u></u>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>CURRENT LIABILITIES (payable from current assets):</b>		
Accounts payable and accrued expenses	\$ 296,124	\$ 97,846
Contracts payable	414,450	
Retainage payable	380,181	132,230
Due to other entities for water sale collections	66,745	62,432
<b>CURRENT LIABILITIES (payable from restricted assets):</b>		
Bonds due within one year	780,000	597,700
Interest accrued	459,225	276,537
Customer meter deposits	<u>792,340</u>	<u>772,105</u>
Total current liabilities	3,189,065	1,938,850
<b>LONG-TERM DEBT</b>		
Bonds due after one year (net of unamortized discount of		
\$244,802 for 2002 and \$276,009 for 2001)	<u>18,175,198</u>	<u>9,333,591</u>
Total liabilities	<u>21,364,263</u>	<u>11,272,441</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	28,110,636	20,052,369
Restricted for:		
Customer Deposits	792,340	772,105
Capital Projects	288,138	293,404
Debt Service	1,525,620	1,047,393
Unrestricted	<u>6,716,039</u>	<u>18,255,050</u>
Total net assets	<u>37,432,773</u>	<u>40,420,321</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 58,797,036</u></u>	<u><u>\$ 51,692,762</u></u>

See Notes to Financial Statements.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Comparative Statement of Revenues, Expenses and Changes in Net Assets

Water Enterprise Fund

For the years ended June 30, 2002 and 2001

	2002	2001 (restated)
<b>OPERATING REVENUES:</b>		
Metered sales to regular customers	\$ 7,784,898	\$ 7,159,684
Metered sales to industrial and municipal customers	12,511	88,293
Connection charges and other revenues	349,405	292,355
	<u>8,146,814</u>	<u>7,540,332</u>
<b>OPERATING EXPENSES:</b>		
Water purchased for resale	29,314	34,085
Water treatment expenses	2,086,034	2,214,466
Transmission and distribution expenses	1,294,009	1,026,198
Customer accounts expenses	616,278	574,030
Administrative and general expenses	832,793	838,270
Depreciation of utility system	2,223,147	1,732,709
	<u>7,081,575</u>	<u>6,419,758</u>
Income from operations	<u>1,065,239</u>	<u>1,120,574</u>
<b>NON-OPERATING REVENUE:</b>		
Investment income	452,501	596,838
Ad Valorem taxes	1,037,581	926,619
Shared revenue	49,725	49,909
Other income	3,184	16,218
	<u>1,542,991</u>	<u>1,589,584</u>
<b>NON-OPERATING EXPENSES:</b>		
Interest on bonds	736,269	585,664
Amortization of debt discount and expense	31,207	46,338
(Gain) loss on sale of fixed assts	1,129	
(Gain) loss on investments	26,072	136,245
	<u>794,677</u>	<u>768,247</u>
Income or loss before contributions	1,813,553	1,941,911
Capital contributions	109,888	625,854
Change in net assets	1,923,441	2,567,765
<b>Net Assets:</b>		
Beginning of year	40,420,321	<u>37,852,556</u>
Prior period adjustment	(4,910,989)	
Beginning of year, as restated	<u>35,509,332</u>	
End of year	<u>\$ 37,432,773</u>	<u>\$ 40,420,321</u>

See notes to financial statements.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Comparative Statement of Cash Flows  
Water Enterprise Fund  
For the years ended June 30, 2002 and 2001

	2002	2001
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 8,255,365	\$ 7,750,975
Cash payments to suppliers for goods and services	(2,076,849)	(2,972,246)
Cash payments made to employees for services	(1,979,082)	(1,898,185)
Net cash provided (used) by operating activities	<u>4,199,434</u>	<u>2,880,544</u>
<b>Cash flows from noncapital financing activities:</b>		
Ad valorem taxes received	1,037,581	926,619
Revenue sharing grant	49,725	49,909
Other noncapital financing revenue	3,183	16,218
Net cash provided (used) by noncapital financing activities	<u>1,090,489</u>	<u>992,746</u>
<b>Cash flows from capital and related financing activities:</b>		
(Aquisition) sale of capital assets	(6,835,221)	(3,592,376)
(Gain) / Loss on sale/abanoned assets	(1,129)	
Bond Proceeds	10,000,000	
Principal paid on revenue bond maturities	(976,093)	(1,119,162)
Interest paid on revenue bonds	(584,788)	(664,593)
Net cash provided (used) for capital and related financing activities	<u>1,602,769</u>	<u>(5,376,131)</u>
<b>Cash flows from investing activities:</b>		
Purchases in excess of proceeds from sale and maturities of investments	(8,854,337)	818,374
Gain (loss) on sale of investments	(26,072)	
Interest and dividends on investments	452,501	596,838
Net cash provided (used) by investing activities	<u>(8,427,908)</u>	<u>1,415,212</u>
Net increase (decrease) in cash and cash equivalents	(1,535,216)	(87,629)
Cash and cash equivalents at the beginning of year	<u>5,131,034</u>	<u>5,218,663</u>
Cash and cash equivalents at the end of year	<u>\$ 3,595,818</u>	<u>\$ 5,131,034</u>
Cash and cash equivalents are composed of:		
Unrestricted Cash and Cash Equivalents	\$ 1,554,449	\$ 3,820,366
Cash and cash equivalents from restricted cash:		
Water revenue bond current debt service account	1,743,062	1,093,251
Construction account	205,833	
Customer meter deposits	92,474	217,417
	<u>\$ 3,595,818</u>	<u>\$ 5,131,034</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income (loss)	\$ 1,065,239	\$ 1,120,574
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,223,147	1,732,709
Changes in assets and liabilities:		
(Increase) decrease in receivables	88,316	143,618
(Increase) decrease in inventory	(42,306)	16,948
(Increase) decrease in prepaid insurance	(20,189)	(4,845)
Increase (decrease) in accounts payable	202,591	61,485
Increase (decrease) in contracts and retainage payable	662,401	(256,970)
Increase (decrease) in customer deposits	20,235	67,025
Total adjustments	<u>3,134,195</u>	<u>1,759,970</u>
Net cash provided (used) by operating activities	<u>\$ 4,199,434</u>	<u>\$ 2,880,544</u>
<b>Noncash investing and financing activities:</b>		
Acquisitions of fixed assets through capital contributions	\$ 109,888	\$ 625,854
Unrealized gain from the early extinguishment of debt	\$ 64,511	\$ -

See notes to financial statements.

***WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA***

Notes to Financial Statements  
For the years ended June 30, 2001 and 2002

Water District No. 1 of the Parish of Lafourche, State of Louisiana, (Water District No. 1) was created by the Police Jury of the Parish of Lafourche in accordance with the provisions of Act 343 of the Louisiana Legislature. The Board of Commissioners consists of 11 members who serve for an indefinite term, at the pleasure of the Lafourche Parish Council.

Water District No. 1's boundaries encompass the entire Parish of Lafourche, except for the City of Thibodaux. The services provided by Water District No.1 include a complete public water utility system of water purification, distribution, and customer accounting and collection.

The accounting and reporting policies of Water District No. 1 conform to generally accepted accounting principles applicable to state and local governments. The following significant accounting policies were applied in the preparation of the accompanying financial statements.

***Note 1      Summary of Significant Accounting Policies***

***Reporting Entity***

The financial statements include all accounts of the Water District No. 1's operations. The criteria for including organizations as component units within the Water District No. 1's reporting entity, as set forth in Section 2100 of the GASB Codification of Government Accounting and Financial Reporting Standards include whether:

- The organization is legally separate (and can be sued in its own name)
- The Council holds the Corporate powers of the organization
- The Council appoints the voting majority of the Board of Commissioners
- The Council is able to impose its will on the organization
- The entity is able to impose a financial benefit/burden on the Council
- There is a fiscal dependency by the organization on the Council

Based on the above criteria Water District No. 1 is considered a component unit of the Lafourche Parish Council.

***Method of Accounting***

On July 1, 2001 the Water District No. 1 adopted the provisions of Statement No. 34 of the Governmental Accounting Standards Board – "*Basic Financial Statements – and Management's Discussion and Analysis- for State and Local Governments.*" Statement 34 established standards for external financial reporting for all state and local governmental entities that includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows.



**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements  
For the years ended June 30, 2001 and 2002

**Note 1      Summary of Significant Accounting Policies (Continued)**

Method of Accounting, (Continued)

For Water District No. 1, the adoption of Statement No. 34 had no effect on the basic financial statements except for the classification of net assets in accordance with the Statement and the reflection of capital contributions as a change in net assets.

The financial statements of the Water District No. 1 are prepared on the accrual basis of accounting. Whereby revenues are recognized when earned and expenses are recognized when incurred. Under Governmental Accounting Standards Board Statement No. 20, the Water District No. 1 has elected not to apply Financial Accounting Standards Board provisions issued after November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The operating revenues of the Water District No. 1 come from metered sales to residential, industrial and municipal customers as well as service connection charges and penalties from late payment of bills. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Deposits and Investments

Water District No. 1's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Water District No. 1's policy is that all surplus funds will be invested, where practical. Management's intent is to hold all investments to maturity. State law allows investments in collateralized certificates of deposit, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.



**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements  
For the years ended June 30, 2001 and 2002

**Note 1      Summary of Significant Accounting Policies (Continued)**

Deposits and Investments (continued)

Investments are reported at fair value. The state investment pool (LAMP) operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

In the opinion of management all trade receivables are fully collectible. The opinion is based upon historical experience and a review of receivable balances. No allowance for uncollectible accounts has been provided.

Inventories and Prepaid Items

Materials and supplies inventory is valued at cost using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. The commitments are not treated as expenses until a liability for payment is incurred, but are merely used to facilitate effective budget control and cash planning and management. The Water District does not employ encumbrance accounting where a portion of the applicable appropriation is reserved for open purchase orders.

Capital Assets

Capital assets are recorded at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date donation.

Water District No. 1 maintains a threshold level of \$500 or more for capitalizing capital assets.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements  
For the years ended June 30, 2001 and 2002

**Note 1**      **Summary of Significant Accounting Policies (Continued)**

**Capital Assets (continued)**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Infrastructure fixed assets (water lines and systems) that are immovable and of value are reported in accordance with the Water District No. 1's policies. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not considered material and is not included as part of the capitalized value of assets constructed.

All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

Type of Asset	Service Life
Water Plant and Buildings	7 - 44 years
Transmission and Distribution System	3 - 44 years
Distribution and Maintenance	5 - 10 years
Administration and Office Buildings	25 - 30 years
Furniture and Equipment	3 - 8 years
Transportation Equipment	3 years

**Compensated Absences**

Water District No. 1 provides that employees may be away from work for vacation or for illness. Other types of leave-of-absence are provided for employees in order to fulfill personal obligations and other responsibilities.

Permanent employees earn paid vacations at their regular rate of pay, excluding overtime, after a period of one year of employment of one to five weeks based upon length of employment. Generally, vacation leave does not vest. Vacations must be taken by December 31<sup>st</sup> of each year.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements  
For the years ended June 30, 2001 and 2002

**Note 1      Summary of Significant Accounting Policies (Continued)**

**Compensated Absences (continued)**

Upon attaining 6 months of employment, an employee is entitled to thirteen days of sick leave per year. Sick leave does not accumulate, but it vests to a maximum of 34 hours. The balance of sick leave is paid to each employee in December of every year to a maximum of 34 hours per employee.

All employees upon attaining 1 full year of service shall be entitled to 1 day per year of personal preference leave. Time not taken by December 31<sup>st</sup> of each year shall be lost.

GASBS Statement No.16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the employees earn the benefits if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASBS Statement 16 provides that a liability for sick leave should be accrued using one of the following termination approaches:

1. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
2. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

The current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources.

***WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA***

Notes to Financial Statements  
For the years ended June 30, 2001 and 2002

***Note 1      Summary of Significant Accounting Policies (Continued)***

**Compensated Absences (continued)**

These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. Accrued sick leave of \$24,337 is included in accounts payable and accrued expenses on the Comparative Statement of Net Assets.

**Bond Discounts, Bond Issuance and Prepaid Loan Costs**

Bond discounts and bond issuance costs are being amortized on the interest method over term of the related obligation. Prepaid loan costs are being amortized on the straight-line method, which approximates the interest method, over the term of the related obligation. Bond discounts are presented as a reduction to revenue bonds on the accompanying financial statements.

**Restricted Net Assets**

On July 1, 2001 the Water District adopted the provisions of GASBS Statement No. 34. Statement 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, statement of activities and changes in net assets and a statement of cash flows. It requires classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital asset, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as proceeds.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements  
For the years ended June 30, 2001 and 2002

**Note 1**      **Summary of Significant Accounting Policies (Continued)**

**Restricted Net Assets (continued)**

- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets – The component of net asset consist of net assets that do not meet definition of “restricted” or “invested in capital assets, net of related debt.”

**Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are either unusual in nature or infrequent in occurrence.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**Risk Management**

Water District No. 1 has purchased commercial insurance to manage risk in the following areas; building and contents, boiler and machinery, general liability, commercial automobile, directors and officers liability coverage, excess directors and officers liability, public official bonding, public employees blanket bond, workmen’s compensation liability and employee health. There have been no significant reductions in insurance coverage in any area. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.



***WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA***

Notes to Financial Statements  
For the years ended June 30, 2001 and 2002

***Note 2      Stewardship, Compliance and Accountability***

***Budget Information***

The annual budget is a management tool that assists users in analyzing financial activity for the ensuing fiscal year. State law does not require a budget be adopted or reported for Enterprise Funds and accordingly; no budget and actual comparisons are presented in this report.

Compliance with bond resolutions and covenants, authorizing and securing the currently outstanding revenue bonds does require the adoption of a budget. Prior to the close of each fiscal year the Board adopts a proposed budget. The budget for this fiscal year was adopted on June 21, 2001.

***Note 3      Deposits with Financial Institutions and Investments***

Deposits (demand deposits, interest bearing demand deposits and certificates of deposit) are recorded at cost, which approximates fair value. At June 30, 2002 and 2001, the carrying amounts of deposits were \$6,106,178 and \$7,672,020 and the bank balances were \$6,299,396 and \$7,820,374.

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market values of the pledged securities plus the federal deposit insurance (FDIC) must at all time equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

FDIC and pledged securities valued at \$8,248,083 and \$8,516,442 for 2002 and 2001, respectively, secure these deposits from risk. The pledged securities were held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the entity that the fiscal agent has failed to pay deposited funds upon demand.



**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements  
For the years ended June 30, 2001 and 2002

**Note 3      Deposits with Financial Institutions and Investments (Continued)**

Investments are categorized into three risk categories of credit risk:

1. Insured or registered, or securities held by the entity or its agent in the entity's name
2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the entity's name
3. Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the entity's name

Investments at June 30, 2002 consisted of:

	Category			Carrying Amount	Market Value
	1	2	3		
FROM RESTRICTED					
U.S. Treasury	\$1,489,640	-	-	\$1,489,640	\$1,489,640
Mortgage-Backed	8,659,397	-	-	8,659,397	8,555,777
<b>TOTAL</b>	<b>\$10,149,037</b>			<b>10,149,037</b>	<b>\$10,045,417</b>
Investments not subject to capitalization:					
LAMP				2,371,723	2,371,723
<b>TOTAL INVESTMENTS</b>				<b>\$12,520,760</b>	<b>\$12,417,140</b>

Investments at June 30, 2001 consisted of:

	Category			Carrying Amount	Market Value
	1	2	3		
FROM RESTRICTED					
U.S. Treasury	\$832,834	-	-	\$832,834	\$832,834
Mortgage-Backed	1,021,783	-	-	1,021,783	1,015,057
<b>TOTAL</b>	<b>\$1,854,617</b>			<b>1,854,617</b>	<b>1,847,891</b>
Investments not subject to capitalization:					
LAMP				1,781,180	1,781,180
<b>TOTAL INVESTMENTS</b>				<b>\$3,635,797</b>	<b>\$3,629,071</b>

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements  
For the years ended June 30, 2001 and 2002

**Note 3      Deposits with Financial Institutions and Investments (Continued)**

Water District No. 1 invests in the Louisiana Asset Management Pool (LAMP), a state and local government investment pool, administered by LAMP, Inc., which is a nonprofit corporation organized under the laws of the State of Louisiana which was formed by an initiative of the State Treasurer in 1993. A board of directors consisting of the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's governs the corporation. These approved investments are carried at cost, which approximate market and may be liquidated as needed.

This investment pool has not been assigned a risk category since it is not issued securities, but rather owns an undivided beneficial interest in the assets of this pool.

Water District No. 1 also invests in structured financial instruments, which are held by an agent in Water District No. 1's name. Structured financial instruments generally include contracts, whose value depend on, or derive from, the value of an underlying asset, reference rate, or index. At June 30, 2002 and 2001, Water District No. 1 held mortgage-backed securities in the form of FNMA, FHLMC and FHLB mortgage-backed pass through obligations. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the market value. Although Water District No. 1 will receive the full amount of principal, if prepaid, the interest income that would have been collected during the remaining period to maturity, net of any market adjustment is lost. Accordingly, the yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. Management's intent is to hold these investments to maturity.

**Note 4      Ad Valorem Taxes**

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

	Authorized Millage	Levied Millage	Expiration Date
Water District Operations	3.99	3.81	2005

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements  
For the years ended June 30, 2001 and 2002

**Note 4**      **Ad Valorem Taxes (continued)**

Each November based on the assessed value of property as of the prior January 1 the Parish Assessor of Lafourche sends ad valorem tax bills. Billed taxes become delinquent on January 1 of the following year. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed for the parish as of January 1, 2000. The assessed value for the property on January 1, on which the 2002 and 2001 levy was based, was \$284,539,140 and \$258,261,570 respectively.

The authorization to levy ad valorem taxes was granted through Parish elections for the purpose of operating and maintaining the water system for the constituents of Water District No. 1. The millage levied for the District for the year June 30, 2002 and 2001 was 3.81 and 3.81 mills, respectively. Tax collected as of June 30, 2002 and 2001 on the 2001 and 2000 tax levy was 96% and 94% respectively.

**Note 5**      **Deferred Compensation Plan**

Employees of the Water District are eligible to contribute to the Louisiana Deferred Compensation Plan under Internal Revenue Code 457 on a voluntary basis. The plan provides state, parish and municipal employees with the opportunity to invest money on a before-tax basis, using payroll deduction. Participants can contribute up to a maximum of 25% of adjusted gross income, not to exceed \$7,500 per calendar year. Withdrawals from the plan occur at retirement, separation from service, death, or proven financial hardship.

Water District No. 1 has the responsibility for withholding and remitting contributions from participants to the plan. Great-West Life is the plan administrator and provides communication, record keeping of the accounts, and investment of the plan assets. All amounts of compensation deferred all property rights and rights purchased and all income, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants or their beneficiaries. The assets of the plan are not considered Water District No. 1's assets, nor subject to claims or creditors of the District.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE**

**STATE OF LOUISIANA**

Notes to Financial Statements (Continued)

For the years ended June 30, 2001 and 2002

**Note 6**      **Capital Assets**

Capital assets and depreciation as of and for the years ended June 30, 2002 and June 30, 2001, respectively, is as follows:

Description	Balance June 30, 2000	Net Additions (Dispositions)	Balance June 30, 2001	Net Additions (Dispositions) Reclassifications	Balance June 30, 2002
<b>Capital assets, not being depreciated</b>					
Land and Right of Way	\$ 770,948	\$ 76,689	\$ 847,637	\$ 43,979	\$ 891,616
Construction Projects					
in Progress	3,661,100	(1,681,794)	1,979,306	3,824,230	5,803,536
<b>Total capital assets, not being depreciated</b>	<u>4,432,048</u>	<u>(1,605,105)</u>	<u>2,826,943</u>	<u>3,868,209</u>	<u>6,695,152</u>
<b>Capital assets, being depreciated</b>					
Water Plant and Building	13,075,924	807,539	13,883,463	1,510,401	15,393,864
Transmissions and					
Distribution System	40,103,638	4,953,133	45,056,771	1,387,621	46,444,392
Distribution and Maintenance					
Equipment	482,953	39,791	522,744	25,447	548,191
Administration and Office					
Buildings	534,267	-	534,267	-	534,267
Furniture and Equipment	282,558	13,034	295,592	(14,321)	281,271
Transportation Equipment	579,767	92,699	672,466	(213,056)	459,410
<b>Total capital assets, being depreciated</b>	<u>55,059,107</u>	<u>5,906,196</u>	<u>60,965,303</u>	<u>2,696,092</u>	<u>63,661,395</u>
Accumulated Depreciation	(23,257,125)	(1,815,570)	(25,072,695)	(6,753,328)	(31,826,023)
<b>Total capital assets, being depreciated net</b>	<u>31,801,982</u>	<u>4,090,626</u>	<u>35,892,608</u>	<u>(4,057,236)</u>	<u>31,835,372</u>
<b>Total capital assets, net</b>	<u>\$ 36,234,030</u>	<u>\$ 2,485,521</u>	<u>\$ 38,719,551</u>	<u>(189,027)</u>	<u>\$ 38,530,524</u>

Depreciation expense for the years ended June 30, 2002 and 2001, respectively was \$2,223,147 and \$1,732,709.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)  
For the years ended June 30, 2001 and 2002

**Note 7      Long-Term Debt**

A summary of bond transactions of the District for the year ended June 30, 2002 and 2001 follows:

<b>Water Revenue Bonds</b>	
Bonds payable July 1, 2000	\$11,372,800
Bonds retired (Principal)	(1,165,500)
Bonds payable June 30, 2001	10,207,300
Bond proceeds	10,000,000
Bonds retired (Principal)	(1,007,300)
Bonds payable June 30, 2002	\$19,200,000

<b>Water Revenue Bonds</b>	<b>2002</b>	<b>2001</b>
Consisted of the following:		
\$10,000,000 Water Revenue Bonds dated October 1, 1996 with A maturity date on January 1, 2017 And with interest at 4.2%-5.7%	\$9,200,000	\$9,670,000
\$2,000,000 Water Revenue Bonds Dated October 23, 1980 with a Final maturity date on January 1, 2005, and with interest at 6%	-	537,300
\$10,000,000 Water Revenue Bonds dated January 1, 2002 with a Final maturity on July 1, 2021, And with interest at 4.2%	10,000,000	-
<b>TOTAL</b>	<b>\$19,200,000</b>	<b>\$10,207,300</b>

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)  
For the years ended June 30, 2001 and 2002

**Note 7      Long-Term Debt (Continued)**

The annual requirements to amortize all bonds outstanding, including interest payments as of June 30, 2002 and 2001, are as follows:

<b>Year Ended June 30, 2002</b>	<b>Amount</b>
2003	\$1,698,510
2004	1,717,532
2005	1,743,752
2006	1,581,313
2007	1,594,548
2008-2012	8,105,037
2013-2017	8,350,798
2018-2021	4,041,620
<b>TOTAL</b>	<b>\$28,833,110</b>

<b>Year Ended June 30, 2001</b>	<b>Amount</b>
2002	\$1,150,773
2003	1,153,486
2004	1,164,455
2005	1,167,074
2006	864,533
2007-2011	4,392,032
2012-2016	4,497,240
2017	909,020
<b>TOTAL</b>	<b>\$15,298,613</b>



**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)  
For the years ended June 30, 2001 and 2002

**Note 8**      **Flow of Funds; Restrictions on Use**

Under the terms of the bond indenture for each issue of Water Revenue Bonds, all income and revenues to be derived from the operation of the system are irrevocably and irreparably pledged in an amount sufficient for the payment of principal and interest on such bonds, and is set aside in the following manner:

- All revenue is periodically deposited in the Revenue Fund to provide for payment of all reasonable and necessary expenses of administering, operating, and maintaining the Water District No. 1.
- On or before the 20th day of each month, there is set aside in restricted bank accounts designated as Bond Fund, an amount equal to 1/6 of the interest due on the next interest payment date and 1/12 of the principal due on the next principal payment date. Such funds may be used only for the payment of principal and interest installments as they become due. The balances in these accounts are shown as restricted assets titled Water Revenue Bond Current Debt Service Account.
- For bonds issued prior to August 1, 1986 there were also set aside into restricted bank accounts, designated as Bond Reserve Fund B, on or before the 20th of each month, an amount equal to at least 20% of the amount deposited into the Bond Funds for the preceding month. Such deposits were continued until the balance equaled the highest combined principal and interest for any succeeding fiscal year. These funds may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Bond Funds. The maximum requirements for those Bond Reserve Funds were met in a prior year.
- For bonds issued October 1, 1996 and January 1, 2002, the establishment and maintenance of the "Reserve Fund", by transferring from bond proceeds, the sum of \$1,000,000, which will equal the Reserve Fund Requirement. The money in the Reserve Fund shall be retained solely for the purpose of paying the principal of and interest on the Bonds payable.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)  
For the years ended June 30, 2001 and 2002

**Note 8**      **Flow of funds; Restrictions on Use (Continued)**

In addition, there was set aside into a restricted bank account designated as the Renewal and Replacement fund, on or before the 20th day of each month, an amount equal to 5% of the gross revenue for the preceding month. In the event that the balance in this fund exceeds \$200,000 at the end of the fiscal year, such excess is to be transferred to the Renewal and Improvements Fund. Money in this fund may be used only for extensions, additions, improvements, renewals, and replacement necessary to properly operate Water District No. 1. However, money in this fund may also be used to pay principal or interest falling due at any time there is not sufficient money for payment in the other bond funds. The balance in this fund shall never be reduced below a minimum of \$15,000. The \$100,000 balance in this fund was accumulated in a prior year and the second \$100,000 was accumulated in 2002.

All of the revenues received in any fiscal year, and not required to be paid in such fiscal year into any of the above noted funds, in excess of 25% of the current fiscal year's budgeted amount of operating expenses, is to be considered surplus and transferred to the Renewal and Improvements Fund. Such funds are to be used for extensions, additions, improvements, renewals, and replacements to the Water District No. 1.

**Note 9**      **Retirement Commitments**

**Plan Description and Provisions**

All employees are members of the Parochial Employee's Retirement System of Louisiana (PERS) a cost sharing multiple-employer defined benefit pension plan.

The System provides retirement benefits to employees of taxing districts of a parish or any branch or section of a parish within the State which does not have their own retirement system and which elect to become members of the System. All members of the Parochial Employees' Retirement System are participants in either Plan A or Plan B. Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date.

Water District No. 1 has chosen to participate in Plan A. The types of benefits provided under this plan include:

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)  
For the years ended June 30, 2001 and 2002

**Note 9      Retirement Commitments (Continued)**

Retirement Benefits

Any members can retire providing he/she meets one of the following criteria:

- At any age with 30 or more years of creditable service.
- Age 55 with 25 years of creditable service.
- Age 60 with a minimum of 10 years of creditable service.

Survivor Benefits

Upon the death of any member of the plan with 5 or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children as outlined in the statutes.

Any member of the plan, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit as outlined in the statutes.

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married not less than 12 months immediately preceding death or the member, shall be paid an Option 2 benefit beginning at age 50.

Deferred Retirement Option Plan Benefits

In lieu of terminating employment and accepting a service retirement, any member who is eligible to retire may elect to participate in the Deferred Retirement Option Plan for up to three years and defer the receipt of benefits.

Disability Benefits

A member shall be eligible to retire and to receive a disability benefit if he/she has at least five years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Disabled members receive a normal retirement allowance if eligible. Otherwise, the member receives the lesser of three percent of members final compensation multiplied by his years of service not to be less than fifteen; or three percent multiplied by years of service assuming continued service to age sixty.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)  
For the years ended June 30, 2001 and 2002

**Note 9      Retirement Commitments (Continued)**

The Parochial Employees' Retirement System of Louisiana was originally established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana. A Board of Trustees, an Administrative Director, an Actuary and Legal Council operate the System. The Retirement System is governed by Louisiana Revised Statutes, Title 11, Sections 1901 through 2015, specifically, and other general laws of the United States.

The Parochial Employees' Retirement System issues a publicly available report that includes financial statements and required supplementary information. That report may be obtained by writing to the Parochial Employees' Retirement System of Louisiana, P.O. Box 14619, Baton Rouge, Louisiana 70898-4619. (phone 985.928.1361)

**Funding Policy**

State Statute establishes member contributions. Employer contributions are actuarially determined every year determined by statutory process.

For the current year the required contribution rate for active plan members is 9.50% of payroll. The actuarially required net direct employer contributions as a percentage of payroll were determined to be 7.75% Member and employer contributions for the year ending June 30, 2002 were \$182,250 and \$152,437, June 30, 2001 were \$175,109 and \$142,852, and for June 30, 2000 were \$161,438 and \$137,587, respectively. In addition, each sheriff and ex officio tax collector deducts one-fourth of one percent of the aggregate amount of the tax collected by the tax roll of each respective parish excepting Orleans parish and East Baton Rouge Parish and remits the money to the System on an annual basis.

**Note 10      Post Employment Benefits**

Retiree's health insurance coverage was approved by the Board of Commissioners and became effective January 1, 1992. Retirees with 30 years of service or more will be responsible for dependents premium and the Water District No.1 will pay the retiree's premium. Employees who retire with 25 of service, but less than 30 years, will be responsible for the total premium. Employees shall remain eligible until 65<sup>th</sup> birthday or until such time as the employee becomes eligible for another plan.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)  
For the years ended June 30, 2001 and 2002

**Note 10**      **Post employment Benefits (Continued)**

Retirees and dependents covered under the plan at the time of retirement will be covered by the plan. Group coverage for retirees cannot be reinstated once dropped, or once the retiree is considered not eligible. Retirees with 25 years of service, but less than 30 years of service will be responsible for the total premium. Retirees will be required to pay their share of the monthly premium in advance upon retiring. Premiums are to be received by the 10<sup>th</sup> of the month or coverage will terminate if premium is not received by the 30<sup>th</sup>.

Information on the benefits paid follows:

	<b>2002</b>	<b>2001</b>
Premiums paid by the District	\$ 14,620	\$15,997
Number of retirees	4	8

**Note 11**      **Early Extinguishments of Debt**

During January 2002, the Water District No. 1 paid off the remaining principal balance of its \$2,000,000 1980 bond issue. The remaining principal paid was \$409,600. The savings related to this early extinguishment of debt would be the interest that will not be paid during the remaining life of the bonds. Interest savings in the amount of \$64,511 is an unrealized gain.

**Note 12**      **Prior Period Adjustment**

During the fiscal year, the Water District No. 1's management re-evaluated the estimated useful lives on its depreciable assets. During this process, it became evident that some of the useful lives were overstated. The useful lives were changed on these assets when calculating accumulated depreciation and depreciation expense for this year. This change in useful lives created a prior period adjustment to beginning accumulated depreciation increasing it by \$4,910,989, which in effect decreased the beginning net assets figure in the same amount.



**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)  
For the years ended June 30, 2001 and 2002

**Note 13      Construction Commitments**

Construction commitments at June 30, 2002 are as follows:

Project	Total Estimated Cost (1)	Costs incurred to 6/30/02
<b>Capital projects:</b>		
8" Waterline LA 20 to LA 304	\$ 74,660	\$ 74,660
Water Line Replacement: W107, W136, W21	112,428	111,428
Water Line Replacement: E53, E157, W 214	180,414	180,414
12" Main Hwy 20 to Thibodaux	394,560	
16" Main Leesville #2 to LA Hwy 3090	1,882,566	1,738,447
Contract No. 5 - High Service Pumping Add.	2,072,414	1,735,804
16" Main Hwy 1, along Hwy 3090 to Fourchon	621,421	614,806
16" Main - E Thibodaux to Hwy 20	636,276	261,365
N. Lafourche 500,000 Gallon Tank	675,000	170,025
8" Waterline w/ Bayou Crossing - North Lafourche Tank	138,167	57,281
Thibodaux Volunteer Fire Dept 50/50	6,750	
8" Waterline along E38th St.	3,545	
8" Waterline From LA 20 to W. Thibodaux Booster Station	394,560	
<b>Total Capital projects</b>	7,192,761	4,944,230
<b>Maintenance project:</b>		
Cleaning & Painting N. Plant Storage Tank	163,537	155,688
<b>Grand Totals</b>	\$ 7,356,298	\$ 5,099,918

(1) Estimated construction cost.



***REQUIRED SUPPLEMENTAL  
INFORMATION (PART II)***

***WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE  
STATE OF LOUISIANA***

**Schedule of Per Diem and Compensation of Board of Commissioners**

June 30, 2002

During the year ended June 30, 2002 the Board of Commissioners held twelve meetings. Board members were not paid per diem or mileage for the year except for Mr. Harvey Robichaux, Secretary/Treasurer of the Board, who was compensated in the amount of \$1,800.

***OTHER SUPPLEMENTAL  
SCHEDULES***

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE**  
**STATE OF LOUISIANA**

Comparative Statement of Operating Expenses

Water Enterprise Fund

For the years ended June 30, 2002 and 2001

	<b>2002</b>	<b>2001</b>
	\$ 29,314	\$ 34,085
<u>Water Purchased for Resale</u>		
<u>Water Treatment Expenses:</u>		
Pumping Operations	555,063	762,247
Pumping Maintenance	10,522	7,805
Purification Operations	972,825	917,381
Purification Maintenance	547,624	527,033
Total Water Treatment Expenses	<u>2,086,034</u>	<u>2,214,466</u>
<u>Transmission and Distribution Expenses:</u>		
Distributions Operations	663,735	616,391
Distribution Maintenance	630,274	409,807
Total Transmission and Distribution Expenses	<u>1,294,009</u>	<u>1,026,198</u>
<u>Customer Accounts Expenses:</u>		
Customer Operations Expense	616,278	574,030
Total Customer Accounts Expense	<u>616,278</u>	<u>574,030</u>
<u>Administrative and General Expenses:</u>		
General Operating & Office Expense	655,259	566,731
Maintenance - General Property and Equipment	175,628	167,733
State Waterline Relocation Projects	1,906	103,806
Total Administrative and General Expenses	<u>832,793</u>	<u>838,270</u>
Depreciation of Utility System	<u>2,223,147</u>	<u>1,732,709</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><u>\$ 7,081,575</u></u>	<u><u>\$ 6,419,758</u></u>

***WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE***  
***STATE OF LOUISIANA***

Statement of Cash Receipts and Disbursements  
For the years ended June 30, 2002 and 2001

	<u>Revenue Fund</u>	
	<u>2002</u>	<u>2001</u>
Cash Balance, July 1	\$ 1,134,795	\$ 2,380,916
Receipts:		
From Customers	8,559,763	7,628,024
Interest Earned	71,100	272,117
Transfers from Other Accounts	1,160,913	985,687
Others	662,526	2,251,329
	<u>10,454,302</u>	<u>11,137,156</u>
Disbursements:		
Operating Expense	7,347,292	7,199,419
Transfers to Other Accounts	2,869,439	5,183,858
	<u>10,216,731</u>	<u>12,383,277</u>
Cash Balance, June 30	<u>\$ 1,372,366</u>	<u>\$ 1,134,795</u>

	<u>Maintenance and Operating Fund</u>	
Cash Balance, July 1	\$ 5	\$ 3
Receipts:		
Ad Valorem Taxes (Net)	1,037,581	926,619
Revenue Sharing	49,725	49,909
Total	<u>1,087,306</u>	<u>976,528</u>
Disbursements:		
Transferred to Revenue Fund for Operating Expenses	<u>1,087,310</u>	<u>976,526</u>
Cash Balance, June 30	<u>\$ 1</u>	<u>\$ 5</u>

***WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE***  
***STATE OF LOUISIANA***

Statement of Cash Receipts and Disbursements  
For the years ended June 30, 2002 and 2001

Renewal and Improvements Fund

	<u>2002</u>	<u>2001</u>
Cash Balance, July 1	\$7,184,166	\$5,652,657
Revenues:		
Interest Earned	68,076	8,716
Transfer from:		
Revenue Fund	2,814,450	4,503,577
Construction Fund	1,837,805	2,971,318
Renewal & Improvements CD/Investments	<u>2,297,427</u>	<u>7,483,610</u>
	<u>7,017,758</u>	<u>7,483,610</u>
Disbursements:		
Additions to System and Utility Plant Assets	<u>8,549,451</u>	<u>5,952,102</u>
Cash Balance, June 30	<u>\$5,652,474</u>	<u>\$7,184,166</u>

Summary of Cash and Investments - Current Assets

Revenue Fund	\$1,372,366	\$1,134,795
Maintenance and Operation Fund	1	5
Renewal and Improvements Fund	5,652,474	7,184,166
Cash on Hand	832	700
Cash on Deposit - Collection Agent Accounts	<u>500</u>	<u>700</u>
Cash and Temporary Cash Investments - Current Assets	<u>\$7,026,172</u>	<u>\$8,320,366</u>
Unrestricted Cash and Cash Equivalents	\$ 1,554,449	\$ 3,820,366
Unrestricted Investments	<u>5,471,723</u>	<u>4,500,000</u>
	<u>\$ 7,026,172</u>	<u>\$ 8,320,366</u>



**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE**

**STATE OF LOUISIANA**

Statement of Cash Receipts and Disbursements - Restricted Assets  
For the years ended June 30, 2002 and 2001

	Current Debt Service Accounts		Future Debt Service Accounts		Construction	Renewal and Replacement Fund	Customer Meter Deposits	2002		2001	
	Bond Fund Series B	Bond Fund	Bond Reserve Series B	Bond Reserve				Total	Total	Total	Total
Cash and investments July 1	\$ 168,853	\$ 764,422	\$ 159,976	\$ 1,021,783	\$ -	\$ 100,000	\$ 772,417	\$ 2,987,451	\$ 2,987,451	\$ 4,315,085	\$ 4,315,085
Receipts:											
Interest earned	6,035	85,256	2,050		110,600		3,509	207,450	207,450	98,964	98,964
Customer deposits							129,090	129,090	129,090	162,295	162,295
Bond Proceeds					10,008,167						
Transfers from:											
Bond Reserve		485,345						485,345	485,345	3,994,820	3,994,820
Construction Fund		603,200			11,936,808			12,540,008	12,540,008		
Water Revenue Fund	400,322	1,540,536				100,000		2,040,858	2,040,858	680,281	680,281
Total receipts	406,357	2,714,337	2,050	-	22,055,575	100,000	132,599	25,410,918	25,410,918	4,936,360	4,936,360
Disbursements:											
Fees/Claims		40	111		22			173	173	82,629	82,629
Principal	537,778	470,000						1,007,778	1,007,778	1,165,500	1,165,500
Interest	32,238	520,835						553,073	553,073	618,255	618,255
Refund of customer deposits							6,630	6,630	6,630	4,010	4,010
Premiums	2,701				30,607			33,308	33,308	13,545	13,545
Transfers to:											
Renewal and Improvements Fund					1,641,490			1,641,490	1,641,490	1,028,505	1,028,505
Bond Fund		480,813			603,200			1,084,013	1,084,013	3,248,183	3,248,183
Construction Fund					11,936,808						
Surplus Revenue		196,320						196,320	196,320	-	-
Water Revenue Fund	2,493	67,689	161,915				105,912	338,009	338,009	103,367	103,367
Total disbursements	575,210	1,735,697	162,026	-	14,212,127		112,542	16,797,602	16,797,602	6,263,994	6,263,994
Cash and investments June 30	\$ -	\$ 1,743,062	\$ -	\$ 1,021,783	\$ 7,843,448	\$ 200,000	\$ 792,474	\$ 11,600,767	\$ 11,600,767	\$ 2,987,451	\$ 2,987,451

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE  
STATE OF LOUISIANA**

Schedule of Maturities  
\$2,000,000 Water Revenue Bonds, 1980 Series  
Dated: October 23, 1980

<b>Date of Maturity</b>	<b>Amount</b>	<b>Date of Maturity</b>	<b>Amount</b>
01/01/1982	\$37,500	01/01/1994	\$79,900
01/01/1983	42,200	01/01/1995	85,000
01/01/1984	44,700	01/01/1996	90,000
01/01/1985	47,400	01/01/1997	95,500
01/01/1986	50,300	01/01/1998	101,200
01/01/1987	53,300	01/01/1999	107,300
01/01/1988	56,500	01/01/2000	113,700
01/01/1989	59,900	01/01/2001	120,500
01/01/1990	63,500	01/01/2002	127,700
01/01/1991	67,300	01/01/2003	135,400
01/01/1992	71,400	01/01/2004	143,500
01/01/1993	75,600	01/01/2005	130,700
		<b>TOTAL</b>	<b>\$2,000,000</b>

The Bonds shall become due and payable in 24 principal installments as listed above. At the option of the District, the unpaid principal installments, or any portion thereof, may be prepaid on any bond payment date at a redemption price equal to par and accrued interest to the date of redemption.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE  
STATE OF LOUISIANA**

Schedule of Maturities  
\$10,000,000 Water Revenue Bonds, Series 1996  
Dated: October 1, 1996

<b>Date of Maturity</b>	<b>Amount</b>	<b>Date of Maturity</b>	<b>Amount</b>
01/01/1998	\$80,000	01/01/2008	\$500,000
01/01/1999	80,000	01/01/2009	535,000
01/01/2000	85,000	01/01/2010	565,000
01/01/2001	85,000	01/01/2011	600,000
01/01/2002	470,000	01/01/2012	640,000
01/01/2003	495,000	01/01/2013	680,000
01/01/2004	530,000	01/01/2014	720,000
01/01/2005	580,000	01/01/2015	765,000
01/01/2006	445,000	01/01/2016	810,000
01/01/2007	475,000	01/01/2017	860,000
		<b>TOTAL</b>	<b>\$10,000,000</b>

Bonds are in denominations of \$5,000 each.

The Bonds maturing January 1, 2008, and thereafter, are callable for redemption at the option of the Issuer in full at any time on or after January 1, 2007, or in part in the inverse order of their maturities, and if less than a full maturity then by lot within such maturity, on any Interest Payment Date on or after January 1, 2007, at the redemption prices stated herein.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE  
STATE OF LOUISIANA**

Schedule of Maturities  
\$10,000,000 Water Revenue Bonds, 2002 Series  
Dated: January 1, 2002

<b>Date of Maturity</b>	<b>Amount</b>	<b>Date of Maturity</b>	<b>Amount</b>
01/01/2003	\$285,000	01/01/2013	\$490,000
01/01/2004	305,000	01/01/2014	515,000
01/01/2005	320,000	01/01/2015	545,000
01/01/2006	335,000	01/01/2016	575,000
01/01/2007	355,000	01/01/2017	605,000
01/01/2008	375,000	01/01/2018	640,000
01/01/2009	395,000	01/01/2019	675,000
01/01/2010	420,000	01/01/2020	715,000
01/01/2011	440,000	01/01/2021	750,000
01/01/2012	465,000	01/01/2022	795,000
		<b>TOTAL</b>	<b>\$10,000,000</b>

Bonds are in denominations of \$5,000 each.

The Bonds maturing January 1, 2013, and thereafter, are callable for redemption at the option of the Issuer in full at any time on or after January 1, 2012, or in part in the inverse order of their maturities, and if less than a full maturity then by lot within such maturity, on any Interest Payment Date on or after January 1, 2012, at the redemption prices stated herein.

***WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE  
STATE OF LOUISIANA***

**Schedule of Metered Water Customers**

June 30, 2002

**(Unaudited)**

All sales of water are metered. At June 30, 2002, there were 27,857 active metered customers.

***WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE  
STATE OF LOUISIANA***

Schedule of Insurance in Force

June 30, 2002

(Unaudited)

<u>Amount of Policy</u>	<u>Risks Covered</u>	<u>Insurer</u>	<u>Expiration Date</u>
\$21,319,227	Buildings & Contents Replacement cost Deductible \$10,000 Wind Deductible \$ 5,000 AOP Deductible \$2,500 Inland Marine Equipment	Royal Surplus Lines Insurance Pol. #RHT 311753	01-01-03
\$ 15,000,000	Boiler & Machinery Deductible \$2,500	Vickery & Assoc. Inc. Pol. # BM 1098726357	01-01-03
\$ 2,000,000	Commercial/General Liability/Auto/Crime	Insurance Corp. of Hanover Pol. # H740000225	01-01-03
\$ 10,000,000	Commercial Umbrella Liability Coverage	Vickery & Associates, Inc. Pol.# BE1392043	01-01-03
\$ 1,000,000	Directors and Officers	General Star Indemnity Co. Pol. # IYA811356F	01-01-03
\$ 50,000	Public Official Bond	CNA Surety Pol. # 14274023	12-01-02
\$ 50,000	Employee Dishonesty Bond	CNA Surety Pol. # 14274023	12-01-02
	Workmen's Compensation	Bridgefield- Summit Poll. # 198-02372	01-01-03



***REPORTS REQUIRED BY  
GOVERNMENT AUDITING  
STANDARDS***



# STAGNI & COMPANY, LLC

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners  
Water District No. 1 of the Parish of Lafourche,  
State of Louisiana

We have audited the basic financial statements of the Water District No. 1, a component unit of the Lafourche Parish Council, as of and for the years ended June 30, 2001 and 2002, and have issued our report thereon dated August 7, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### *Compliance*

As part of obtaining reasonable assurance about whether the Water District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### *Internal Control Over Financial Reporting*

In planning and performing our audit, we considered the Water District No. 1's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

To the Board of Commissioners  
Water District No. 1  
Page 2

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management of the Water District No. 1 and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Stagni & Company*

Thibodaux, Louisiana  
August 7, 2002

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,  
STATE OF LOUISIANA**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2002

We have audited the basic financial statements of the Water District No. 1, a component unit of the Lafourche Parish Council, as of and for the years ended June 30, 2002 and June 30, 2001, and have issued our report thereon dated August 7, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2002 resulted in an unqualified opinion.

**Section I Summary of Auditor's Reports**

**a. Report on Internal Control and Compliance Material to the Financial Statements**

**Internal Control**

Material Weaknesses ☐ Yes ☒ No Reportable Conditions ☐ Yes ☒ No

**Compliance**

Compliance Material to Financial Statements ☐ Yes ☒ No

**b. Federal Awards – NONE**

**Internal Control**

Material Weaknesses ☐ Yes ☐ No Reportable Conditions ☐ Yes ☐ No

**Type of Opinion On Compliance** Unqualified ☐ Qualified ☐

Disclaimer ☐ Adverse ☐

Are there findings required to be reported in accordance with Circular A-133  
Section .510(a)? ☐ Yes ☐ No

**c. Identification of Major Programs - NONE**

**Section II Financial Statement Findings**

**NONE**

**Section III Federal Award Findings and Questioned Costs**

**NOT APPLICABLE**



**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE**  
**STATE OF LOUISIANA**

Current Year Findings, Recommendations and Corrective Action Plan  
For the Year Ended June 30, 2002

<u>Reference Number</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name(s) of</u>		<u>Anticipated Completion Date</u>
			<u>Contact</u>	<u>Person(s)</u>	

Section I - Internal Control and Compliance Material to the Financial Statements:

**NONE**

Section II - Internal Control and Compliance Material to Federal Awards:

**NOT APPLICABLE**

Section III - Management Letter:

**NONE**

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE**  
**STATE OF LOUISIANA**

Status of Prior Audit Findings  
For the Year Ended June 30, 2002

Reference Number	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially)		Planned Corrective Action/Partial Corrective Action Taken	

Section I - Internal Control and Compliance Material to the Financial Statements:  
**NONE**

Section II - Internal Control and Compliance Material to Federal Awards:4  
**NOT APPLICABLE**

Section III - Management Letter:  
**NONE**